



Minutes of the 261st meeting of the Financial Reporting Standards Committee held on Thursday, 4 February 2021 at 8:30 a.m. via videoconference.

Members present: Mr. Ernest Lee (Chairman), Deloitte Touche Tohmatsu  
Mr. Gary Stevenson (Deputy Chairman), RSM Hong Kong  
Ms. Kathryn Ashley, HSBC  
Mr. Choy Kai Sing, Asia Metro Ltd and own-name practice  
Ms. Candy Fong, Foremost Advisers Ltd  
Mr. Park Kwok, HLB Hodgson Impey Cheng Limited  
Ms. Vincyy Lai, Jardine Matheson & Co., Limited  
Mr. Kenneth Lau, Crowe (HK) CPA Limited  
Ms. Susanna Lau, Securities and Futures Commission  
Mr. Joe Ng, Ernst & Young  
Mr. Ghee Peh, IEEFA  
Mr. Richard Poon, AIA Group  
Mr. Jim Tang, KPMG  
Mr. William Wong, Stock Exchange of Hong Kong Limited  
Mr. Guochang Zhang, The University of Hong Kong  
Ms. Lisa Zhang, PricewaterhouseCoopers

Staff in attendance: Ms. Cecilia Kwei, Director, Standard Setting  
Mr. Tiernan Ketchum, Deputy Director, Standard Setting  
Mr. Norman Chan, Associate Director, Standard Setting  
Ms. Carmen Ho, Associate Director, Standard Setting  
Ms. Joni Kan, Associate Director, Standard Setting  
Ms. Katherine Leung, Associate Director, Standard Setting  
Ms. Eky Liu, Associate Director, Standard Setting  
Mr. Anthony Wong, Associate Director, Standard Setting

Action

**1. Welcome and Introductions**

The Chairman welcomed Ms. Kathryn Ashley, Mr. Park Kwok, Ms. Vincyy Lai, Mr. William Wong and Ms. Lisa Zhang as new members of the Committee.

The Committee noted the general confidentiality rules in relation to minutes and agenda papers, its terms of reference, and 2021 meeting dates.

**2. Compositions and Terms of Reference of FRSC's sub-committee and Advisory Panels**

As part of its annual review, the Committee noted and approved the composition and Terms of Reference of the following FRSC sub-committees and Advisory Panels.

- Hong Kong Insurance Implementation Support Group
- Business Combinations and Reporting Entity Advisory Panel
- Companies Ordinance Application Issues (Financial Reporting) Advisory Panel
- Conceptual Framework Advisory Panel
- Disclosure Initiative Advisory Panel
- Employee Benefits Advisory Panel
- Financial Instruments Advisory Panel
- Financial Reporting Valuation Advisory Panel

- Income Tax/Deferred Tax Advisory Panel
- Leases Advisory Panel
- Revenue Recognition Advisory Panel
- SME-FRF & SME-FRS Advisory Panel

### 3. **Minutes, work program and liaison log**

The Committee approved the minutes of the 260th meeting.

The Committee noted the developments outlined in the FRSC and SSD work program and liaison log.

### 4. **Strategic Planning**

The Committee received an update and briefing on the following items:

- The FRSC's strategic plan for the next strategic cycle and 2021 focus;
- 2020 progress reports and the proposed 2021-2023 project plans for SSD projects; and
- An overview of the Institute's standard setting function.

The Committee noted the Council's 2020-2022 strategic plan and how the FRSC's existing strategic plan aligns with the Council's objectives. The Committee further noted SSD's achievements against the FRSC's stated strategic objectives in 2020, which included:

- conducting extensive outreach with Hong Kong stakeholders to respond to the IASB's consultation documents;
- revising local standards;
- issuing publications and organising trainings on hot topics and other prevalent issues;
- responding to technical queries;
- participating in international meetings; and
- performing research work (e.g. on the Business Combinations under Common Control project).

The Committee noted that given the Council has moved to a 3-year strategic cycle, which next ends in 2022, the FRSC should align its strategic cycle with that of the Council. As such, the FRSC strategic plan was set for 2021 to 2022.

The Committee was updated on the IASB's pipeline projects, and also noted the current resources within SSD.

The Committee noted that the SSD has undertaken successful research over the past several years. After considering its resources and priorities, the Committee agreed to wait for the IASB to conduct its Third Agenda Consultation this year with an expected feedback statement in early 2022 and consider the resulting IASB priorities before deciding on any new strategic research candidate.

The FRSC agreed that it should continue with its existing strategic plan for 2021-2022. The FRSC also noted and agreed to focus resources in 2021 on the following:

- conducting outreach and responding to IASB's consultative documents on high priority projects; and
- responding to IFRS Interpretations Committee items that will have a pervasive and material impact to local stakeholders;
- monitoring practical issues from the application of major new standards and SME-FRS;

- monitoring implementation issues on IFRS/HKFRS 17; and
- developing guidance and/or training for local stakeholders.

The Committee noted the 2020 progress reports and the proposed 2021-2023 project plans for SSD projects. Moreover, the Committee noted and agreed with the editorial updates to the Preface to Hong Kong Financial Reporting Standards and the HKIPCA's policy on providing Interpretations or Rulings on financial reporting matters.

#### Priority of five new IASB projects

The Committee received an update on the following IASB projects, and agreed that they should be high priority projects for the Institute:

- Disclosure Initiative – Subsidiaries that are SMEs;
- Post-implementation Review of IFRS 9 – Classification and Measurement; and
- Provisions – Targeted Improvements.

The Committee also received an update on the IASB project *Lack of Exchangeability (Amendments to IAS 21)*, and agreed that this project should be low priority for the Institute as it is not expected to have a significant impact in Hong Kong.

#### *Third Agenda Consultation*

The Committee received an update on the objective, tentative decisions, and timeline of the IASB's Third Agenda Consultation. The Committee noted the IASB tentatively decided not to ask stakeholders to re-prioritise its current work plan projects, and instead to focus on considering certain research pipeline and other projects for comment.

The Committee considered that the tentative topics in the research pipeline and other projects for comment within the Third Agenda Consultation are not pervasive or expected to have a significant impact in Hong Kong. The Committee hence considered, in view of the Committee's other high priority items, that the Third Agenda Consultation should not be a high priority project.

The Committee will consider any preliminary feedback from Committee members, along with SSD priorities when determining whether to respond to the Third Agenda Consultation and the extent of any related outreach activities. SSD staff will raise this for further consideration at a future FRSC meeting after the Request for Information is issued by the IASB (expected issuance in March 2021).

SSD

## **5. IFRS Interpretation Committee's Tentative Agenda Decisions**

The Committee received an update on the SSD staff analysis and actions, and agreed on the proposed next steps that no further action would be taken, on the following IFRS Interpretations Committee (IFRS IC) Tentative Agenda Decisions (TAD) discussed at the December 2020 IFRS IC meeting.

- Attributing Benefit to Periods of Service (IAS 19 *Employee Benefits*)
- Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 *Intangible Assets*)
- Hedging Variability in Cash Flows due to Real Interest Rates (IFRS 9 *Financial Instruments*)

*TAD on Classification of Debt with Covenants as Current or Non-current (IAS 1 Presentation of Financial Statements)*

The Committee received an update on the feedback received from the Committee's Disclosure Initiative Advisory Panel (Panel) on the TAD on *Classification of Debt with Covenants as Current or Non-current*.

The Committee noted that the Panel considered the TAD is clear on the three fact patterns it described, however, some Panel members considered that there is still a lack of clarity as to how the principles of Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* could be applied to other specific fact patterns. The Committee also noted Panel members had split views on whether the Institute should respond to the TAD and attempt to clarify these matters with the IFRS IC.

The Committee considered factors provided by SSD staff regarding whether the Institute should, or should not, respond to the TAD. The majority of Committee members considered that requesting clarification of the application on other areas may go beyond the scope of the fact pattern in the TAD, and as such, may not yield additional clarification. The Committee hence agreed not to respond to the TAD. The Committee also agreed that SSD staff should continue to monitor the development of application issues related to the Amendments to IAS 1 to situations that are not covered in the TAD, and consider additional action as necessary.

**6. Other business**

*Presentation in the statement of cash flows – discounted bill*

The Chair shared that there may be diversity in practice in the presentation of discounted bills in the statement of cash flows, and noted that a more detailed fact pattern may be brought to a future FRSC meeting for discussion.

*Administrative matter*

The Committee noted that they are welcome to propose agenda items for the next FRSC meeting no later than 15 working days prior to the meeting date.

It was noted that the next meeting was scheduled on 22 February 2021.

There being no further business, the meeting closed at 11:30 a.m.

ERNEST LEE  
CHAIR

11 February 2021